

**REPORT OF THE AUDIT OF THE
CLINTON COUNTY
SHERIFF**

**For The Year Ended
December 31, 2008**



**CRIT LUALLEN
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE CLINTON COUNTY SHERIFF

**For The Year Ended
December 31, 2008**

The Auditor of Public Accounts has completed the Clinton County Sheriff's audit for the year ended December 31, 2008. Based upon the audit work performed, the financial statement presents fairly, in all material respects, the revenues, expenditures, and excess fees in conformity with the regulatory basis of accounting.

Financial Condition:

Excess fees decreased by \$17,676 from the prior year, resulting in excess fees of \$5,022 as of December 31, 2008. Revenues increased by \$57,686 from the prior year and expenditures increased by \$75,437.

Report Comments:

- 2008-01** The Sheriff Should Maintain Accurate Records And Account For All Receipts In The Appropriate Year
- 2008-02** The Sheriff Should Deposit Receipts Intact On A Daily Basis
- 2008-03** The Sheriff Had A Deficit Of \$75 In His 2008 Fee Account
- 2008-04** The Sheriff Should Present An Annual Settlement And Submit Excess Fees To The Fiscal Court
- 2008-05** The Sheriff Should Maintain Adequate Payroll Records
- 2008-06** The Sheriff Should Be Earning Interest On His Official Bank Accounts
- 2008-07** The Sheriff's Office Lacks Adequate Segregation Of Duties Over All Accounting Functions

Deposits:

The Sheriff's deposits were insured and collateralized by bank securities or bonds.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Lyle Huff, Clinton County Judge/Executive
The Honorable Ricky Riddle, Clinton County Sheriff
Members of the Clinton County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues, expenditures, and excess fees - regulatory basis of the Sheriff of Clinton County, Kentucky, for the year ended December 31, 2008. This financial statement is the responsibility of the Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and excess fees of the Sheriff for the year ended December 31, 2008, in conformity with the regulatory basis of accounting described in Note 1.

Our audit was conducted for the purpose of forming an opinion on the financial statement referred to in the first paragraph. The schedule of excess of liabilities over assets is presented for purposes of additional analysis and is not a required part of the financial statement. Such information has been subjected to auditing procedures applied in the audit of the financial statement and, in our opinion, is fairly stated, in all material respects, in relation to the financial statement taken as a whole.



The Honorable Lyle Huff, Clinton County Judge/Executive
The Honorable Ricky Riddle, Clinton County Sheriff
Members of the Clinton County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated December 8, 2009 on our consideration of the Clinton County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Based on the results of our audit, we present the accompanying comments and recommendations, included herein, which discusses the following report comments:

- 2008-01** The Sheriff Should Maintain Accurate Records And Account For All Receipts In The Appropriate Year
- 2008-02** The Sheriff Should Deposit Receipts Intact On A Daily Basis
- 2008-03** The Sheriff Had A Deficit Of \$75 In His 2008 Fee Account
- 2008-04** The Sheriff Should Present An Annual Settlement And Submit Excess Fees To The Fiscal Court
- 2008-05** The Sheriff Should Maintain Adequate Payroll Records
- 2008-06** The Sheriff Should Be Earning Interest On His Official Bank Accounts
- 2008-07** The Sheriff's Office Lacks Adequate Segregation Of Duties Over All Accounting Functions

This report is intended solely for the information and use of the Sheriff and Fiscal Court of Clinton County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these interested parties.

Respectfully submitted,



Crit Luallen
Auditor of Public Accounts

December 8, 2009

CLINTON COUNTY
RICKY RIDDLE, SHERIFF
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2008

Revenues

Federal Contract		
Corp. of Engineers	\$	5,175
State - Kentucky Law Enforcement Foundation Program Fund		11,909
State Fees For Services:		
Fee Claims	\$	7,183
House Bill 452		10,266
Prisoner Transport	<u>1,064</u>	18,513
Circuit Court Clerk:		
Fines and Fees Collected		2,555
Fiscal Court:		
Sheriff Salary	68,672	
Training Incentive	3,525	
Operating Expenses	<u>18,000</u>	90,197
Board Of Education:		
Payroll Reimbursement		14,659
County Clerk - Delinquent Taxes		3,221
Commission On Taxes Collected		103,000
Other Fees On Taxes Collected:		
10% Add-On Fee	20,292	
Advertising Fees	<u>1,370</u>	21,662
Fees Collected For Services:		
Auto Inspections	2,555	
Accident and Police Reports	107	
Serving Papers	14,630	
Carrying Concealed Deadly Weapon Permits	<u>2,090</u>	19,382

The accompanying notes are an integral part of this financial statement.

CLINTON COUNTY
 RICKY RIDDLE, SHERIFF
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2008
 (Continued)

Revenues (Continued)

Other:

Transporting Prisoners	\$	4,937	
Miscellaneous		<u>40</u>	\$ 4,977

Interest Earned 213

Borrowed Money:

State Advancement			<u>40,000</u>
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Total Revenues 335,463

Expenditures

Operating Expenditures and Capital Outlay:

Personnel Services-

Deputies' Salaries	\$	109,407	
Part-Time Salaries		9,041	
Other Salaries		<u>33,944</u>	152,392

Employee Benefits-

Employer's Share Social Security		10,991	
Employer's Share Retirement		22,249	
Unemployment Insurance		<u>1,315</u>	34,555

Materials and Supplies-

Office Materials and Supplies		4,479	
Uniforms		<u>1,361</u>	5,840

Auto Expense-

Gasoline		13,497	
Maintenance and Repairs		<u>1,277</u>	14,774

Other Charges-

Conventions and Travel		980	
Dues		652	
Postage		100	
Bond		6,854	
Carrying Concealed Deadly Weapon Permits		1,455	
Miscellaneous		<u>656</u>	10,697

The accompanying notes are an integral part of this financial statement.

CLINTON COUNTY
 RICKY RIDDLE, SHERIFF
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2008
 (Continued)

Expenditures (Continued)

Debt Service:

State Advancement	\$ 40,000
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Total Expenditures	\$ 258,258
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Less: Disallowed Expenditures	<u>75</u>
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Total Allowable Expenditures	<u>258,183</u>
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Net Revenues	77,280
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Less: Statutory Maximum	<u>68,733</u>
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Excess Fees	8,547
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Less: Training Incentive Benefit	<u>3,525</u>
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Excess Fees Due County for 2008	<u><u>\$ 5,022</u></u>
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The accompanying notes are an integral part of this financial statement.

CLINTON COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2008

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the Sheriff as determined by the audit. KRS 134.310 requires the Sheriff to settle excess fees with the fiscal court at the time he files his final settlement with the fiscal court.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive) at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2008 services
- Reimbursements for 2008 activities
- Tax commissions due from December tax collections
- Payments due other governmental entities for payroll
- Payments due vendors for goods or services provided in 2008

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

CLINTON COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2008
(Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer, defined benefit pension plan that covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members.

Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. Non-hazardous covered employees who begin participation on or after September 1, 2008, are required to contribute 6.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 16.17 percent for the first six months and 13.50 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (member age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The Clinton County Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the Sheriff's deposits may not be returned. The Clinton County Sheriff does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of December 31, 2008, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

CLINTON COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2008
(Continued)

Note 4. Drug Eradication Account

The Sheriff's office maintains a Drug Eradication account. Receipts of this account are from court ordered payments related to drug cases. These funds are reserved for law enforcement activities involving drug eradication and not included in excess fees. The balance as of January 1, 2008 was \$923, receipts and expenditures were \$25,552 and \$7,353 respectively, and the December 31, 2008 balance was \$19,122.

Note 5. Drug Abuse Resistance Education Account

The Sheriff's office maintains a Drug Abuse Resistance Education (DARE) account. Funds received in this account are to be spent on drug abuse resistance education and are not included in excess fees. The balance as of January 1, 2008 was \$3,499, receipts and expenditures \$1,963 and \$3,569, respectively, and the December 31, 2008 balance was \$1,893.

Note 6. Court Ordered Restitution

The Kentucky State Police conducted an investigation resulting in the prosecution of the former office manager of the Clinton County Sheriff's office, for four counts of theft by unlawful taking or disposition over \$300 in the amount of \$14,066 for the 2003 fee account, \$19,593 for the January 1, 2004 through September 30, 2004 fee account, \$3,700 for 2003 tax collections, and \$7,800 for 2002 tax collections. On February 22, 2005, the former employee pled guilty to these charges. The court ordered restitution of \$45,159 to be paid through the Circuit Court Clerk with an initial payment of \$10,000 and monthly payments of \$200 with the entire balance to be paid in full within five years. As of September 18, 2008, the Clinton County Circuit Court Clerk had collected all \$45,159 from the former employee on the court ordered restitution and had paid this money over to the Clinton County Sheriff.

CLINTON COUNTY
RICKY RIDDLE, SHERIFF
SCHEDULE OF EXCESS OF LIABILITIES OVER ASSETS - REGULATORY BASIS

December 31, 2008

Assets

Cash in Bank	\$ 6,375
Deposits in Transit	622
Receivables	500,841
Uncollected Receivables-	
Repayment of Loan Due From 2009 Fee Account	10,000
Corps of Engineer Payments Due From 2007 Fee Account	2,294
Telecom Commissions Due From 2007 Fee Account	1,696
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Total Assets	521,828

Liabilities

Paid Obligations:

Outstanding Checks	\$ 10,255
Liabilities Paid After December 31, 2008	469,465
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Total Paid Obligations	479,720
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Unpaid Obligations-

Operating Expense Loan Due 2007 Fee Account	26,700
Deposit Error Due 2007 Fee Account	400
Operating Expense Loan Due 2008 Tax Account	10,000
Calendar Year 2008 Salary Due Sheriff	61
Calendar Year 2008 Excess Fees Due Fiscal Court	5,022
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Total Unpaid Obligations	42,183
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Total Liabilities	521,903
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Total Deficit as of December 31, 2008	\$ (75)
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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Lyle Huff, Clinton County Judge/Executive
The Honorable Ricky Riddle, Clinton County Sheriff
Members of the Clinton County Fiscal Court

**Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards**

We have audited the statement of revenues, expenditures, and excess fees - regulatory basis of the Clinton County Sheriff for the year ended December 31, 2008, and have issued our report thereon dated December 8, 2009. The Sheriff's financial statement is prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Clinton County Sheriff's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Sheriff's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Sheriff's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the regulatory basis of accounting which is a basis of accounting other than generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statement that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiencies described in the accompanying comments and recommendations as items 2008-01, 2008-02, 2008-04, 2008-05, and 2008-07 to be significant deficiencies in internal control over financial reporting.



Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statement will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiencies described above as items 2008-01 and 2008-07 to be material weaknesses.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Clinton County Sheriff's financial statement for the year ended December 31, 2008, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying comments and recommendations. These noncompliances and other matters are reported in comments 2008-01, 2008-02, 2008-03, 2008-04, 2008-05, and 2008-06.

The Clinton County Sheriff's responses to the findings identified in our audit are included in the accompanying comments and recommendations. We did not audit the Sheriff's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Clinton County Fiscal Court, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Crit Luallen
Auditor of Public Accounts

December 8, 2009

COMMENTS AND RECOMMENDATIONS

CLINTON COUNTY
RICKY RIDDLE, SHERIFF
COMMENTS AND RECOMMENDATIONS

For The Year Ended December 31, 2008

FINANCIAL STATEMENT FINDINGS:

2008-01 The Sheriff Should Maintain Accurate Accounting Records And Account For All Receipts In The Appropriate Year

The Sheriff did not maintain accurate accounting records for the 2008 fee account. In addition, the Sheriff engaged in the practice of transferring funds between multiple accounts in order to cover the operating expenses of his office. Our examination of receipts and disbursements indicated the following:

- On January 9, 2008, \$10,000 was transferred from the 2007 fee account to the 2008 fee account. These funds have not been returned to the 2007 fee account.
- On February 27, 2008, \$10,000 was transferred from the 2007 fee account to the 2008 fee account. These funds have not been returned to the 2007 fee account.
- On April 7, 2008, \$10,000 was transferred from the 2007 fee account to the 2008 fee account. On September 10, 2008, \$3,300 was transferred back to the 2007 fee account. The remaining \$6,700 has not been returned to the 2007 fee account.
- On July 28, 2008, restitution payments totaling \$400 were deposited into the 2008 fee account in error. On September 18, 2008, the 2007 fee account transferred \$400 to the restitution account in an attempt to correct the error. The 2008 fee account has not reimbursed \$400 to the 2007 fee account.
- On August 19, 2008, Corp. of Engineers payments totaling \$2,294 were deposited into the 2007 fee account in error. These funds were not transferred to the 2008 fee account to correct the error.
- During calendar year 2008, each monthly telecom commission payment was deposited into the 2007 fee account in error. These payments totaled \$1,696 and were not posted within the receipts ledger. These funds were not transferred to the 2008 fee account to correct the error.
- Subsequent to the audit period in calendar year 2009, five monthly telecom commission payments totaling \$707 were deposited into the 2007 fee account in error. These funds have not been transferred to the 2009 fee account to correct the errors.
- During calendar year 2007, office supplies and equipment purchases totaling \$762 were paid from the Drug Abuse Resistance Education (DARE) account in error. These transactions were not posted within the disbursements ledger. The 2007 fee account has not reimbursed the DARE account to correct these errors.
- During calendar year 2008, office supplies and equipment purchases totaling \$526 were paid from the Drug Abuse Resistance Education (DARE) account in error. These transactions were not posted within the disbursements ledger. However, on January 27, 2009, the 2008 fee account reimbursed the DARE account to correct these errors.
- On January 6, 2009, \$10,000 was transferred from the 2008 fee account to the 2009 fee account. These funds have not been returned to the 2008 fee account.
- On November 10, 2008, \$10,000 was transferred from the 2008 tax account to the 2008 fee account. This transfer was recorded within the 2008 fee account receipts ledger as tax commissions. These funds have not been returned to the 2008 tax account.

CLINTON COUNTY
RICKY RIDDLE, SHERIFF
COMMENTS AND RECOMMENDATIONS
For The Year Ended December 31, 2008
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2008-01 The Sheriff Should Maintain Accurate Accounting Records And Account For All Receipts In The Appropriate Year (Continued)

Lack of controls or oversight over the operations of the office resulted in numerous financial reporting errors.

KRS 134.160(2) states “The sheriff shall keep an accurate account of all moneys received by him, showing the amount, the time when and the person from whom received, and on what account. He shall also keep an accurate record of all disbursements made by him, showing the amount, to whom paid, the time of payment, and on what account. He shall so arrange and keep his books that the amounts received and paid on account of separate and distinct appropriations shall be exhibited in separate and distinct accounts.”

KRS 134.170(3) states, “Other than for investments and expenditures permitted by KRS 134.140, the Sheriff shall not apply or use any money received by him for any purpose other than that for which the money was paid or collected.” Additionally, KRS 134.300 requires tax collections to be reported and paid to the taxing districts by the tenth (10th) of the following month. Only the commissions allowable to the Sheriff and such other fees as are due should be transferred to the fee account.

We recommend the Sheriff immediately implement controls and oversight over his office to assure errors of this magnitude are prevented in a timely manner and maintain accurate financial records in the future as required by KRS 134.160(2).

We further recommend the Sheriff refrain from making loans to various accounts, and that all fee and tax receipts are deposited to the appropriate year’s accounts. In addition, we recommend that all outstanding receivables noted herein are transferred to the appropriate accounts.

Sheriff’s Response: We will try to look over the accounts better. Monies will be transferred back. In the future, old accounts will be closed out in a timely manner.

CLINTON COUNTY
RICKY RIDDLE, SHERIFF
COMMENTS AND RECOMMENDATIONS
For The Year Ended December 31, 2008
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2008-02 The Sheriff Should Deposit Receipts Intact On A Daily Basis

During the course of the audit, we noted that deposits were not made in a timely manner. Our review indicated a total of 178 deposits were made into the 2008 fee account. The auditor found that 99 of these deposits did not clear the bank within three (3) business days. In addition, the auditor noted that ten (10) of the deposits took between one (1) and two (2) months to clear the bank. The auditor also noted penalties totaling \$42 were charged due to instances of the account being overdrawn.

The Sheriff lacks controls over the deposit process and does not provide adequate oversight in this area.

The Department for Local Government (DLG) was given the authority by KRS 68.210 to prescribe a uniform system of accounts. The minimum requirements for handling public funds as stated in the Instructional Guide for County Budget Preparation and State Local Finance Officer Policy Manual require that deposits be made daily. Additionally, the practice of making daily deposits reduces the risk of misappropriation of cash, which is the asset most subject to possible theft. Also, when deposits are not made timely, the risk that the bank account can be overdrawn is increased.

This noncompliance has been addressed in prior year audits. However, the Sheriff has ignored auditor recommendations to remedy the issue.

We recommend the Sheriff immediately implement controls over the deposit process to assure deposits are made daily to comply with KRS 68.210.

Sheriff's Response: Will ensure that deposits are made in a timely manner.

2008-03 The Sheriff Had A Deficit Of \$75 In His 2008 Fee Account

During the audit, we noted the Sheriff had a deficit of \$75 in the 2008 fee account.

The Sheriff's office was charged \$33 for late payment penalties on invoices and \$42 for overdrawing the 2008 fee account on numerous occasions. These charges are deemed unallowable per Funk v. Milliken, 317 S.W.2d 499 (KY 1958).

CLINTON COUNTY
RICKY RIDDLE, SHERIFF
COMMENTS AND RECOMMENDATIONS
For The Year Ended December 31, 2008
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2008-03 The Sheriff Had A Deficit Of \$75 In His 2008 Fee Account (Continued)

We recommend the Sheriff deposit personal funds of \$75 to cover the deficit in his 2008 fee account. We further recommend the Sheriff ensure all commingled moneys are returned to the correct accounts as noted in **comment 2008-01**, in order to pay all outstanding liabilities. Once all funds are returned to their proper account, the Sheriff should deposit personal funds, if necessary, into those accounts with an insufficient balance to ensure all outstanding liabilities are paid.

Sheriff's Response: I will pay this from my personal funds.

2008-04 The Sheriff Should Present An Annual Settlement And Submit Excess Fees To The Fiscal Court

The Sheriff did not present an annual settlement to the fiscal court for calendar year 2008. Additionally, excess fees for calendar years 2007 and 2008 have not been submitted to the fiscal court.

KRS 134.310(5) states, "In counties containing a population less than seventy thousand (70,000), the sheriff shall file annually with his final settlement:

- (a) A complete statement of all funds received by his office for official services, showing separately the total income received by his office for services rendered as commissions for collecting state, county, and school taxes;
- (b) A complete statement of all expenditures of his office, including his salary, compensation of deputies and assistants, and reasonable expenses."

KRS 134.310(6) requires excess fees to be paid at the time the annual settlement is presented, subject to correction by audit.

Based on the prior year audit, calendar year 2007 excess fees due to the fiscal court were determined to be \$22,698. Per the audited financial statement, \$5,022 in excess fees is due the fiscal court for calendar year 2008.

As has been stated in previous findings, receipts of the Sheriff's office are often not deposited into the correct account. Record keeping is inadequate and bank accounts are comingled throughout the year. Because of this, the Sheriff is unable to pay excess fees due the fiscal court as required by law.

CLINTON COUNTY
RICKY RIDDLE, SHERIFF
COMMENTS AND RECOMMENDATIONS
For The Year Ended December 31, 2008
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2008-04 The Sheriff Should Present An Annual Settlement And Submit Excess Fees To The Fiscal Court (Continued)

This noncompliance has been addressed in prior year audits. However, the Sheriff has ignored auditor recommendations to remedy the issue.

We recommend that in the future, the Sheriff comply with KRS 134.310 by presenting an annual settlement and submitting excess fees to the fiscal court no later than September 1st.

As recommended in **comment 2008-01**, all comingled moneys should be returned to the correct accounts. Once all funds are returned to their proper account, the Sheriff should deposit personal funds, if necessary, into those accounts with an insufficient balance, to ensure all excess fees due the fiscal court are paid.

We then recommend the Sheriff pay 2007 excess fees in the amount of \$22,698 and 2008 excess fees in the amount of \$5,022 to the fiscal court.

Sheriff's Response: Monies will be transferred back to original accounts and any shortages will be paid out of my personal funds.

2008-05 The Sheriff Should Maintain Adequate Payroll Records

The Sheriff does not maintain adequate payroll documentation to support payments to employees for hours worked. In addition, the Sheriff does not maintain records for employee's leave time used and/or accumulated.

If the Sheriff does not maintain adequate documentation of leave time and hours worked for all employees, the office is at risk for possible future payments to any employee maintaining their own records who subsequently resigns or is otherwise let go. If this employee maintained documentation, which cannot be refuted by the Sheriff, the office may owe that employee for additional hours worked and accumulated leave time.

KRS 337.320(1) requires that "every employer shall keep a record of: (a) The amount paid each pay period of each employee; (b) the hours worked each day and each week by each employer; (c) and such other information as the executive director requires."

CLINTON COUNTY
RICKY RIDDLE, SHERIFF
COMMENTS AND RECOMMENDATIONS
For The Year Ended December 31, 2008
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2008-05 The Sheriff Should Maintain Adequate Payroll Records (Continued)

This noncompliance has been addressed in prior year audits. However, the Sheriff has ignored auditor recommendations to remedy the issue.

We recommend the Sheriff maintain personnel records for each employee that indicates accurate and current leave balances. In addition we recommend that timesheets be prepared by all employees. Each timesheet should be signed by the employee indicating that they agree with the report. The Sheriff should review each timesheet before payroll is calculated. The Sheriff's signature on each timesheet would provide evidence of his review.

Sheriff's Response: Timesheets format has been updated.

2008-06 The Sheriff Should Be Earning Interest On His Official Bank Accounts

The Sheriff does not earn interest on all of his official accounts. Funds deposited into the Sheriff's Restitution, Drug Eradication, and Drug Awareness Resistance Education (DARE) accounts are not earning interest income. Interest income is also not earned on the Sheriff's yearly fee accounts.

KRS 66.840(4) states, "county officials, may, and at the redirection of the fiscal court shall, invest and reinvest money subject to their control." Additionally, depositing receipts in an interest bearing account would provide investment income beneficial to the office.

This noncompliance has been addressed in prior year audits. However, the Sheriff has ignored auditor recommendations to remedy the issue.

We recommend the Sheriff deposit all applicable receipts of his office into interest bearing accounts.

Sheriff's Response: Will check with other banks.

CLINTON COUNTY
RICKY RIDDLE, SHERIFF
COMMENTS AND RECOMMENDATIONS
For The Year Ended December 31, 2008
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2008-07 The Sheriff's Office Lacks Adequate Segregation Of Duties Over All Accounting Functions

A lack of adequate segregation of duties exists over all accounting functions. During our review of internal controls, we noted the Sheriff's bookkeeper is responsible for opening incoming mail, receiving and recording cash, preparing of bank deposits, preparing the daily checkout sheets, posting to the receipts and disbursements ledgers, and preparing financial reports.

Limited budget places restrictions on the number of employees the Sheriff can hire. When faced with a limited number of staff, strong compensating controls should be in place to offset the lack of segregation of duties.

Lack of oversight could result in misappropriation of assets and/or inaccurate financial reporting to external agencies such as the Department for Local Development, which could occur, but go undetected.

Additionally, because a lack of adequate segregation of duties existed and because the Sheriff did not provide strong oversight over the office, the following occurred:

- Accurate Accounting Records Were Not Maintained
- All Receipts Were Not Accounted For In The Appropriate Year
- Comingling Funds Between Accounts Resulted In Unpaid Excess Fees
- Receipts Were Not Deposited On A Timely Basis
- Penalties Were Charged For Overdrawing the 2008 Fee Account On Multiple Occasions
- Penalties Were Charged For Late Payment Of Invoices
- Adequate Documentation Was Not Maintained To Support Payments To Employees For Hours Worked

A segregation of duties over various accounting functions, such as opening mail, recording cash, preparing bank deposits, posting transactions to ledgers, and preparing financial reports or the implementation of compensating controls, when needed because the number of staff is limited, is essential for providing protection from asset misappropriation and/or inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their responsibilities.

To adequately protect against misappropriation of assets and/or inaccurate financial reporting, the Sheriff should separate the duties involving the opening of mail, depositing of cash, posting of transactions to the ledgers, and preparing financial reports. If, due to a limited number of staff, that is not feasible, strong oversight over these areas should occur and involve an employee not currently performing any of those functions. Additionally, the Sheriff could provide this oversight. If the Sheriff does implement compensating controls, these should be noted on appropriate source documentation.

Sheriff's Response: Will try to monitor all these areas.

